



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 24, 2005

H.R. 2864 **Water Resources Development Act of 2005**

*As reported by the House Committee on Transportation and Infrastructure
on June 22, 2005*

SUMMARY

H.R. 2864 would authorize the Army Corps of Engineers (Corps) to conduct water resource studies and undertake specified projects and programs for flood control, inland navigation, shoreline protection, and environmental restoration. The bill would authorize the agency to conduct studies on water resource needs, to complete feasibility studies for specified projects, and to convey ownership of certain federal properties. Finally, the bill would extend, terminate, or modify existing authorizations for various water projects and would authorize new programs to develop water resources and protect the environment.

Assuming appropriation of the necessary amounts, including adjustments for increases in anticipated inflation, CBO estimates that implementing H.R. 2864 would cost about \$4.1 billion over the 2006-2010 period and an additional \$5.9 billion over the 10 years after 2010. (Some construction costs and operations and maintenance would continue or occur after this period.)

H.R. 2864 would allow the Corps to spend any proceeds that it collects from recreational fees in excess of \$42 million a year. H.R. 2864 also would convey parcels of land to various nonfederal entities and would forgive the obligation of some local government agencies to pay certain project costs. Finally, the bill would allow the Corps to collect and spend fees collected for training courses and permit processing. CBO estimates that enacting those provisions would increase direct spending by \$13 million in 2006, \$22 million over the 2006-2010 period, and \$37 million over the 2006-2015 period. Enacting the bill would not affect revenues.

H.R. 2864 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Federal participation in water resources projects and programs authorized by this bill would benefit state, local, and tribal governments, and

any costs incurred by those governments to comply with the conditions of this federal assistance would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2864 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and the environment).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 2864 OVER THE 2006-2010 PERIOD

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	946	901	871	851	800
Estimated Outlays	662	905	871	849	807
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	13	3	3	*	3
Estimated Outlays	13	3	3	*	3
NOTE: * = less than \$500,000.					

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2864 will be enacted near the beginning of fiscal year 2006 and that the necessary amounts will be appropriated for each fiscal year.

Spending Subject to Appropriation

H.R. 2864 would authorize new projects related to environmental restoration, shoreline protection, and navigation. This bill also would modify many existing Corps projects and programs by increasing the amounts authorized to be appropriated to construct or maintain them or by increasing the federal share of project costs. Assuming appropriation of the necessary funds, CBO estimates that implementing this bill would cost \$4.1 billion over the 2006-2010 period and an additional \$5.9 billion over the 10 years after 2010. For ongoing

construction costs of previously authorized projects, the Corps received a 2005 appropriation of about \$1.8 billion, including funds from the Inland Waterway Trust Fund.

For new water projects specified in the bill, the Corps provided CBO with estimates of annual budget authority needed to meet design and construction schedules. CBO adjusted those estimates to reflect the impact of anticipated inflation during the time between project authorization and appropriation of construction costs. Estimated outlays are based on historical spending rates for Corps projects.

Significant New Authorizations. H.R. 2864 would authorize the Army Corps of Engineers to conduct water resource studies and undertake specified projects and programs for flood control, inland navigation, shoreline protection, and environmental restoration. For example, the bill includes authorizations for enhanced navigation improvements on the Upper Mississippi River at an estimated federal cost of \$1.8 billion and an ecosystem restoration project, also on the Upper Mississippi River, at an estimated federal cost of \$1.6 billion. Another large project authorized by this bill is the Indian River Lagoon project in the Florida Everglades at an estimated federal cost of \$605 million. Construction of those projects would likely take more than 15 years.

Section 2002 would authorize an increase in the federal share of the construction, operations, and maintenance of some deepwater navigation projects. Based on information from the Corps, CBO estimates that this provision would increase federal costs by about \$275 million over the 2006-2010 period. In the 10-year period after 2010, this provision would increase the cost of authorized deepwater navigation projects by about \$500 million. This provision would add significant federal costs to deepwater navigation projects authorized in future years. The extent of those costs would be attributed to future authorization bills.

Deauthorizations. H.R. 2864 would withdraw the authority for the Corps to build about 40 projects authorized in previous legislation. Based on information from the Corps, however, CBO does not expect that the agency would begin any work (under current law) for most of those projects over the next five years or even much later. Some of those projects do not have a local sponsor to pay nonfederal costs, others do not pass certain tests for economic viability, and still others do not pass certain tests for environmental protection. Consequently, CBO estimates that cancelling the authority to build those projects would provide no significant savings over the next several years.

Direct Spending

CBO estimates that enacting this bill would increase direct spending by \$13 million in 2006, \$22 million over the 2006-2010 period, and \$37 million over the 2006-2015 period. Components of this cost estimate are described below and summarized in table 2.

TABLE 2. CHANGES IN DIRECT SPENDING UNDER H.R. 2864 OVER THE 2006-2015 PERIOD

	Outlays in Millions of Dollars, By Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN OUTLAYS FROM DIRECT SPENDING										
Recreation User Fees	2	2	2	2	2	2	2	2	2	2
Land Conveyances	0	0	0	3	0	0	0	0	0	0
Arcadia Lake, OK	8	0	0	0	0	0	0	0	0	0
Rathbun Lake, IA	2	0	0	0	0	0	0	0	0	0
White River Basin, AK	1	1	1	1	1	1	1	1	1	1
Other Direct Spending	*	*	*	*	*	*	*	*	*	*
Total Changes	13	3	3	*	3	3	3	3	3	3

NOTES: Changes in budget authority would equal the estimated changes in outlays.

* = Less than \$500,000.

Recreation User Fees. Section 2017 would allow the Corps to spend without further appropriation any recreation fees that it earns in excess of \$42 million a year. Under existing law, all receipts collected by the Corps from such fees are deposited into a special fund from which they must be appropriated in order to be spent. The CBO baseline projection of such receipts is \$42 million a year over the next 10 years. Allowing for the possibility that these receipts could be either more or less than the projected level, we estimate that the expected value of additional direct spending under H.R. 2864 is \$2 million a year. This amount would be used for repair, maintenance, and interpretation of Corps recreation sites.

Various Land Conveyances. H.R. 2864 would authorize the conveyance at fair market value 650 acres of federal land at the Richard B. Russell Lake in South Carolina to the state. Based on information from the Corps, CBO estimates that the federal government would receive about \$3 million in 2009 from this sale.

The bill also would convey certain federal land in Alabama, Pennsylvania, Georgia, Oregon, Kansas, Minnesota and Missouri. CBO estimates that those conveyances would have no significant impact on the federal budget.

Arcadia Lake, Oklahoma. Section 3098 would eliminate the obligation of the city of Edmond, Oklahoma, to pay outstanding interest due on its water storage contract with the Corps. CBO estimates that this provision would result in a loss of receipts of about \$8 million in 2006. The city has no further obligations to pay under this storage contract.

Rathbun Lake Project. Section 5046 would authorize the Secretary to convey a certain portion of the water supply storage capacity of Rathbun Lake to the Rathbun Regional Water Association. In exchange, the water association would fund, construct, operate, and maintain a regional visitor center complex on federal land at Rathbun Lake in Iowa. CBO estimates that enacting this section would cost about \$2 million in 2006 because the Corps would forgo receipts that the Rathbun Regional Water Association would otherwise have to pay for the unallocated water supply storage.

White River Basin, Arkansas. Section 5033 would require that the Corps of Engineers permanently change its water flow plans for the White River in Arkansas. Such a change would diminish the amount of electricity that could be generated by the federal hydroelectric project on the river, and sold by the Southeastern Power Administration (SEPA), a federal power marketing administration. Based on information from SEPA, we expect that this would reduce offsetting receipts from the sale of hydropower by about \$1 million per year, or \$10 million over the 2006-2015 period. We would expect that the losses would continue through the life of the hydroelectric project, or at least 50 years.

Waurika Lake Project. Section 3099 would eliminate the obligation of the Waurika Project Master Conservancy District in Oklahoma to pay its outstanding debt related to the construction of a water conveyance project. Because of an accounting error, the Corps inadvertently undercharged the district for costs associated with a land purchase related to the water project in the early 1980s. Under terms of the construction contract, the district is required to pay all costs associated with building the project, including the full cost of the land purchases. The section would eliminate the need for the district to pay the difference between the full cost and the initial undercharged amounts. CBO estimates that enacting this section would cost less than \$200,000 a year over the 2006-2015 period.

Funding to Process Permits. Section 2003 would make permanent the Corps' current authority to accept and spend funds contributed by private firms to expedite the evaluation of permit applications submitted to the Corps. CBO estimates that the Corps would accept and spend less than \$500,000 during each year of this extension and that the net budgetary impact of this provision would be negligible.

Training Funds. Section 2031 would allow the Corps to collect and spend fees collected from the private sector for training courses. CBO estimates that the Corps would accept and spend less than \$500,000 annually and that the net budgetary impact would be negligible.

Cumberland River Basin Reservoirs. Section 5061 would authorize the Corps to continue to charge certain reservoir projects in Kentucky and Tennessee reduced rates on municipal and industrial water supply storage. CBO estimates that enacting this provision would result in a loss of about \$25,000 in receipts each year to the Corps.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2864 contains no intergovernmental or private-sector mandates as defined in UMRA. Federal participation in water resources projects and programs authorized by this bill would benefit state, local, and tribal governments. Governments that choose to participate in those projects would incur costs to comply with the conditions of the federal assistance, including cost-sharing requirements, but such costs would be incurred voluntarily. In addition, some state and local governments participating in ongoing water resources projects would benefit from provisions in the bill that would alter existing cost-sharing obligations. Many of those provisions would make it easier for nonfederal participants to meet their obligations by giving them credit for expenses they have already incurred or by expanding the types of expenditures counted towards the nonfederal share.

PREVIOUS CBO ESTIMATE

On May 17, 2005, CBO transmitted a cost estimate for S. 728, the Water Resources Development Act of 2005, as ordered reported by the Senate Committee on Environment and Public Works on April 26, 2005. CBO estimated that enacting S. 728 would increase direct spending by \$212 million in 2006, \$1.1 billion over the 2006-2010 period, and \$2.3 billion over the 2006-2015 period. In addition, assuming appropriation of the necessary amounts, CBO estimated that implementing S. 728 would cost about \$4.1 billion over the 2006-2010 period and an additional \$7.6 billion over the 10 years after 2010. The differences in the cost estimates stem from different levels of authorized funding.

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